



CILT GHANA

CILT PERSPECTIVES ON DEVELOPING GHANA'S SUPPLY CHAIN AND LOGISTICS SECTOR

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- **PRESENTATIVE PREVIEW**
 - ✓ Background/Information
 - ❖ Definitions
 - ❖ Growing importance Supply Chains & Logistics (SCL)
 - ❖ Competitive role of Supply Chains & Logistics
 - ✓ CILT's Perspectives on developing the sector using the PESTEL Framework
 - ❖ Opportunities & Threats in the SCL environment
 - ❖ Key Policy recommendations



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INTRODUCTION

According to Martin Christopher,

“Supply chains compete, not companies” (Christopher, 2016)

- ✓ This statement refocuses the basis of global competition on **supply chains rather than pricing** for which most companies in the country unduly concentrate on.
- ✓ Dell Computers’ **Virtual Production System** (Dell Direct) is a good example of how companies can successfully shift the competitive turf from pricing to their supply chains (Mars Discovery, 2011). world. (The Levin Institute 2015)



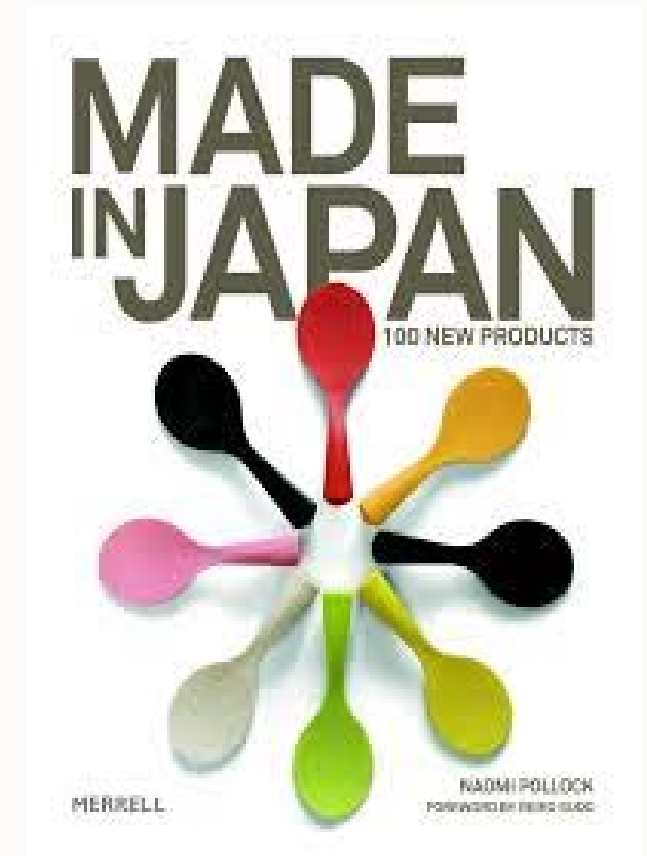
INTRODUCTION

- ✓ Increasingly, organisations are competing on the efficiency of their supply chains rather than solely on pricing
- ✓ Supply Chains and Logistics (SCL) have the ability to deliver most of the values that are demanded by customers and consumers.
- ✓ It is therefore imperative that governments create an enabling environment to help build strong supply and logistics chains.



INTRODUCTION

- ✓ The overall **supply chain competitiveness** of a country is the sum total of the individual organisations' supply chain efficiency and effectiveness
- ✓ This creates a **good national brand and yields resultant value streams** along the entire chain for any country
- ✓ This is exemplified by the strong value stream that Japan gains through its exports
- ✓ The strong supply chains built by individual Japanese organisations have resulted in creating overall high customer and consumer satisfaction and therefore overall global competitiveness.



GROWING IMPORTANCE OF TERM SUPPLY CHAIN

- ✓ The Term **Supply Chain Management** is reported to have been coined by Oliver and Webber in 1982 (Gibson et al, 2005)
- ✓ In 2005 a Google hit of the definition of the term yielded 2360 results (Gibson ibid)
- ✓ A recent (25/03/16) Google hit by the Speaker of the same term yielded 8920 results
- ✓ This shows a 278% increase in current results; and may reflect growing interest



DEFINITIONS- MARTIN CHRISTOPHER

✓ **Supply chain** is a network of organisations that are involved through **upstream** and **downstream** linkages, in the different processes and activities that **produce value** in the form of products and services in the hands of the ultimate customer



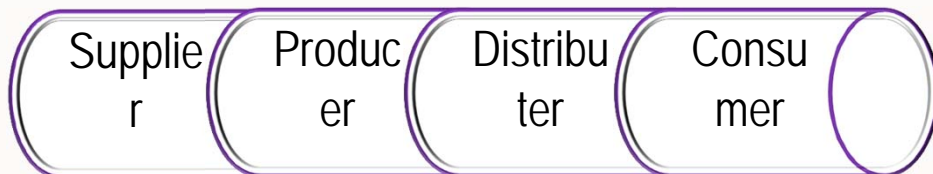
✓ **Logistics** is the ‘process of strategically managing the **procurement, movement** and **storage** of materials, parts and finished inventory and the related information flows through the organization and its **marketing channels** in such a way that current and future profitability are maximized through the cost –**effective fulfilment of orders.**’



KEY INSIGHTS FROM DEFINITIONS (SCM Vs LOGISTICS)

- ✓ Organisations must first improve their logistics processes to ensure internal efficiency while looking externally to integrate their activities with other companies
- ✓ While Supply Chains involve the management of companies
- ✓ Logistics involve the management of functions of the organisation
- ✓ Supply Chains are inter-organisational while
- ✓ Logistics Chains are intra-organisational
- ✓ Therefore while Supply Chains are outward-looking; Logistics chains are inward-looking.

Supply Chain Structure



Logistics Chain Structure



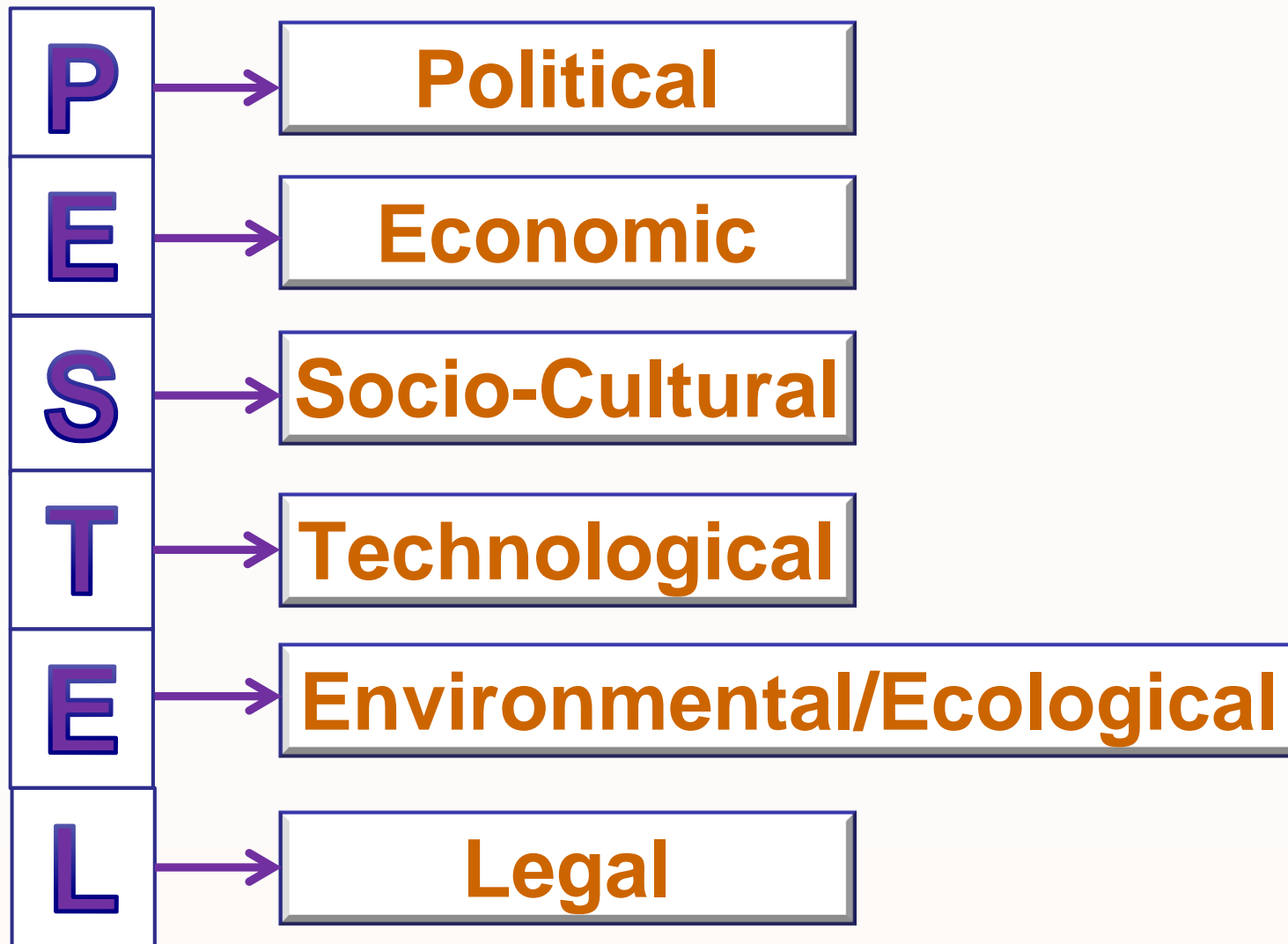
**WE NOW
REFOCUS
ON
CILT'S
PERSPECTIVES
ON DEVELOPING
GHANA'S SCL SECTOR**



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CILT's PERSPECTIVES BASED ON PESTEL FRAMEWORK



POLITICAL PERSPECTIVES

- ✓ **Leveraging Political Stability**; pre-requisite for peace and development
- ✓ **Arising from Ghana Strong Democratic Credentials** the continent; foundation for Investment
- ✓ The **country needs to build on this Political Capital** to attract investors
- ✓ This political factor is a key condition for investment in any sector of a country's economy as **security of investments is paramount** to investors
- ✓ CILT Ghana therefore **advise the government and all political players** to ensure a smooth and peaceful elections as the country goes to the polls this year (8th November, 2016); to ensure that this capital is not eroded
- ✓ A **political capital when lost** may take a considerable period to rebuild or regain.



Obama 2009 Clinton, 1998 Bush, 2008



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ECONOMIC PERSPECTIVES

✓ Fiscal Policies

- ✓ This refers to “government spending policies that influence macroeconomic conditions.” (Investopedia, 2016)
- ✓ It is aimed at improving unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the general economy
- ✓ They affect a country’s cost of doing business. Due to global economic downturn (IMF, 2016), Ghana has been negatively hit which has resulted in reduced export income particularly for our oil industry; a key part of the SCL sector
- ✓ Global economic slowdown has also affected demand for a number of the country’s exports such as cocoa, gold, oil, among others (IMF ibid)



ECONOMIC PERSPECTIVES

✓ Fiscal Policies

- ✓ In view of this, CILT Ghana recommends conscientious development of policies that encourage application of value addition to a number of our exports to cushion it from the volatility that is so akin to the international trading of raw materials
- ✓ The GoG must also realign fiscal policies such as providing tax havens and trade facilitation to encourage companies to invest in the processing industry to help add value to raw materials before export
- ✓ The primary processing, packaging, storage and warehousing markets and industries could be targeted for support.



ECONOMIC PERSPECTIVES

✓ Fiscal Policies

- ✓ In addition to the above-mentioned, the GoG must work at ensuring and sustaining macro-economic stability in the areas of foreign exchange, inflation, interest rates, among others to help companies become competitive both locally and globally
- ✓ The interplay of these macro-economic indicators affect the cost of doing business



ECONOMIC PERSPECTIVES

✓ Unemployment

- ✓ There are relatively high levels of unemployment among employable people with an average rate of 8.82% (2001-2013) and eased at 5.2% in 2014 (Trading Economics & Ghana Statistical Service, 2016)
- ✓ This situation is a double-edged sword as on one side it reduces the purchasing power of the consumers but on the flip side it offers companies, abundant and relatively cheaper labour as the situation creates an employer's market
- ✓ The SCL sector offers opportunities for mass employment of the teeming population who are unemployed; particularly the oil and gas industry



ON THE BEND! COASTING HOME SOON!



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ECONOMIC PERSPECTIVES

✓ **Overcoming Unemployment**

- ✓ CILT Ghana is of the view that the further development of the oil and gas market at the downstream level could offer this opportunity
- ✓ Our perspective is that this is where the policy of 'local content' can be more realised and maximized rather than the upstream part of the oil and gas industry
- ✓ The upstream level is highly capital intensive and employs fewer human resources, mostly expatriates.



SOCIO-CULTURAL PERSPECTIVES

✓ **Changing Demographics**

- ✓ Globally, the demographics of consumers are fast changing
- ✓ The Public Reference Bureau reports the world's population to be 7.2 billion (2014); and further projects a rise to 9.7 billion in 2050 (Public Reference Bureau, 2016)
- ✓ The developing world will account for almost all this projected growth. According to the World Bank (2016)
- ✓ Ghana is no exception to this demographic trend. From a population of 6.7 million (1960), Ghana's population was estimated to be 27 million in 2014; representing 303% increase over a period of 54 years (Ghana Statistical Service, 2016)
- ✓ The current demographic structure and trend is resulting in aging, youthful population, changes in lifestyles and tastes, sophistication, new interests and philosophies, among others

✓ **Opportunities from Demographic Trends**

- ✓ The population boom and resultant effects present challenges and opportunities.
- ✓ Businesses may need to initially take advantage of the sheer population boom to boost production and growth.
- ✓ They may also seize the opportunity to segment their markets and offer bespoke products and services delivered to consumers using segmented supply chains aimed at each specific market, based on the population dynamics, to help leverage operations to achieve customer satisfaction; and if possible delight



ECONOMIC PERSPECTIVES

✓ Energy Inputs

- ✓ Energy in all its forms is critical for socio-economic development of every country; particularly for industrialization
- ✓ Cheaper sources of energy offer businesses a competitive edge with lower production cost
- ✓ It is therefore imperative that a relatively cheaper energy, adequacy and reliability are assured by the government to ensure sustained economic growth
- ✓ Particularly for SCL companies as they are high consumers of this resource due to the heavy industries most of them find themselves in
- ✓ The negative effect on industry from the lack of energy and its erratic supply in the form of electricity was very evident in the country recently.



✓ Recommendations

- ✓ Government ensures the full exploitation of its gas resources to form the energy base for industrial growth of the country
- ✓ Liberalization of the 'piping', distribution and sale of the resource to allow competition and engender efficiency
- ✓ This however must be well regulated and supervised by the government to ensure consumer rights and interests as well as that of private investors.



TECHNOLOGICAL PERSPECTIVES

✓ Changing Face of ICT

- ✓ Technology refers to innovative processes, methods, devices, systems, concepts that may impact positively on the fortunes of businesses and SCL sector as a whole
- ✓ Some of the technological opportunities currently include the mobile telephony, the internet (3rd & 4th Generation), Radio Frequency for Identification (RFID), social media, among others
- ✓ Of particular importance is the mobile phone; which is fast becoming a technological tool for development
- ✓ The mobile phone is now becoming a bank, medical centre (mHealth) or point of care, point of sale, digital store, among others
- ✓ **Linked to the current trends in demographic structure as indicated earlier, the youthful population are upward and mobile; and are social media savvy and internet addicts.**



✓ Recommendations

- ✓ The Implications for the SCL sector is that business organisations must consider **digitization of their operations** or at least aspects of it.
- ✓ Internet presence is not an option but a **competitive path for survival** and global or virtual reach
- ✓ SCL Organisations must **restructure their traditional marketing channels** to include **virtual channels** for reaching the youthful consumers on key social media such as Facebook, Twitter, LinkedIn and Instagram, among others.



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ENVIRONMENTAL/ECOLOGICAL PERSPECTIVES

✓ Environmental/Ecological Perspectives

- ✓ **Natural** (God-made) and **Artificial** (Man-made) surroundings. They include flora and fauna, the built environment and the general ecosystem on which the survival of humans and other organic species are based
- ✓ Specific aspects of the environment may include, **water, air, land, plants and animals**, among other resources
- ✓ SCL companies' activities mostly invariably affect or impact negatively on these planetary resources
- ✓ This may be through disposed packages and **use of harmful ingredients**. The effect is that the constituents of this environment are **degraded, polluted or harmed to the detriment of the entire ecosystem**
- ✓ **The perennial flooding in parts of the capital city of Accra lends credence to this fact (Owusu-Koranteng, 2015).**



✓ Recommendations

- ✓ CILT recommends that businesses must be motivated and compelled (in some cases) to **adopt green logistics**; which it believes to be the most strategic approach to reducing the effect of SCL on the environment.
- ✓ SCL Organisations may also implement the more operational part of green logistics by putting in place **reverse logistics** systems in place aimed at cleaning up the mess caused by red (dirty) companies
- ✓ In effect the SCL sector must aim at re-colouring themselves from **red (dirty) to green (clean)** organisations.



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LEGAL PERSPECTIVES

✓ Promoting Competition

- ✓ These are laws that governments or higher authorities pass that have an effect on how businesses are managed and interact
- ✓ Governments can intervene in markets aimed at **promoting competition, removing business barriers through deregulation** of some markets to encourage investment and growth, among others.



✓ CILT'S Recommendations

- ✓ Strong environmental regulatory framework to protect the environment
- ✓ The '**carrot and stick**' approach must be adopted to manage companies with respect to environmental degradation
- ✓ At any opportunity, the GoG must **remove or relax monopoly restrictions** that promote inefficiency in the SCL sector
- ✓ Where state-owned companies are needed to play a role in the SCL sector, **Public-Private-Partnerships (PPP)** must be encouraged to help attract private participation and investment
- ✓ We acknowledge key PPP arrangements aimed at developing the SCL sector such as the **Tema and Takoradi Ports upgrade and expansion, Oil and Gas exploitation, among others in the Western region**



FINAL REMARKS

- ✓ The SCL sector of the country is a burgeoning one which needs special attention and support to enable it contribute its quota to national socio-economic development
- ✓ This presentation reviewed the PESTEL factors that impact on the SCL sector with the aim of identifying the opportunities and challenges (threats) in the business environment and the prescription of strategic recommendations that border on policy for the government and for SCL organisations to take advantage of opportunities while fending off threats
- ✓ CILT Ghana is of the opinion that if the government adopts at least some of the recommendations/perspectives proffered by the Institute, the SCL sector will be better off and strengthened to contribute towards wealth generation and the general socio-economic development of the country.





**THANK YOU SO MUCH!
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